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Economic Scene

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Soviet Oil Troubles

WHILE the Organization of Petroleum Exporting Countries is trying to put pressure on its members to hold production down, the world's biggest oil producer, the Soviet Union, is struggling to maintain its output.

Soviet oil production peaked at 12.33 million barrels a day in 1983. Its daily output declined six-tenths of 1 percent in 1984 and 4 percent during the first four months of this year, according to official Soviet sources. Russian planners had sought a 2 percent increase in oil production for 1985; they now seem bound to miss that target widely.

Back in 1977, the Central Intelligence Agency predicted that Soviet oil output would reach a peak some time between 1978 and 1982 — a prediction that was disputed by some American analysts of Soviet energy problems. But the C.I.A. has proved to be basically correct, if a bit ahead of schedule. Soviet oil output, after rapid growth in the 1980's, began to stagnate from 1980 to 1983, reached a peak in late 1983, slipped in 1984 and appears headed for a steeper decline this year.

In an analysis of the reasons for the decline, to be published in the forthcoming issue of the journal *Soviet Economy*, Thane Gustafson, director of the Soviet Studies Program at Georgetown University's Center for Strategic and International Affairs, says the chief cause was a neglect of oil exploration in undeveloped areas.

From 1977 until 1984, the Soviet leaders staved off a decline in oil output by exploiting one-time gains available from shifting development sources to West Siberia. "That trump card having been played," Mr. Gustafson concludes, "they now face essentially the same problem they did in 1977: eight more years of exploration have not succeeded in discovering the reserves that will keep West Siberian output growing. Even more important, the uncertainty over the region's long-term prospects has not been dispelled."

He finds many culprits for the failure. Siberian exploration teams failed to venture outside familiar fields. The Ministry of Geology in Moscow was skeptical that the northernmost areas of Tyumen Province, the oil-producing region in West Siberia, would yield more oil and did not support exploration there. The Ministry of Oil was also skeptical about Siberian reserves, and the State Planning Agency reinforced its bias against exploration and toward development by driving output targets relentlessly higher.

The blame reaches to the Politburo. Even though some Soviet geologists and planners were well aware of the long-term problem, and argued for a strategy based on greater and wider exploration, the top leaders, fearing a collapse of oil output in the older regions, delayed the transfer of exploration efforts to new areas. They were eager to get short-term increases in output lest oil shortages cause bottlenecks that would choke off economic growth and reduce foreign exchange earnings from oil. It has been hard for the Russian leaders to accept a slowdown in oil production because the Soviet Union derives about 60 percent of its hard-currency earnings from oil exports, and uses the proceeds to pay for imports of grain and advanced industrial technology.

But year after year of risk avoidance, Mr. Gustafson finds, has produced a prematurely aged oil industry with uncertain prospects and inadequate technology, costs out of control owing to an unbalanced effort and short horizons, and a production crisis in West Siberia that requires constant firefighting. The shortsighted approach taken, he says, means that "the solutions and alternatives are still not ready — especially on the consumption side, where Soviet energy efficiency is still the lowest of any industrial nation."

The new Soviet leader, Mikhail S. Gorbachev, has looked around for somebody to take the fall for the failed policy. He has dismissed the Oil Minister, Nikolai A. Maltsev, replacing him with the Minister of Gas, Vasily A. Dinkov. Beyond that, Mr. Gorbachev has called for shaking up the oil bureaucracy and tightening the organization and management of the West Siberian oilfields.

And the Soviet leadership is starting to correct its past failure to pay sufficient attention to exploration. Mr. Gustafson said in an interview this week that the new five-year plan for 1986-90, which is to be adopted next February by the 27th Communist Party congress, will call for a 40 percent overall increase in oil exploration, with a 90 percent increase in Siberia and a doubling of offshore exploration, the biggest share of which will be in the Barents Sea, part of the Arctic Ocean north of the European part of the Soviet Union and Norway.

"Gorbachev is determined to go back to the Andropov energy policy based on conservation — and he has hinted that production may be slowed down," said Mr. Gustafson, who recently returned from Moscow.

Falling world oil prices have exacerbated the problem of using oil to earn foreign currency. The Russians have tried to meet the problem by slowing the growth of domestic consumption and increasing the share of their total energy production allocated to export; in 1983 they exported 15.5 percent of their annual output of oil, gas and other forms of energy, up from 11.6 percent in 1975.

Meanwhile, the signs are that the shortfall of oil output is dragging down Soviet economic growth. Hence, the Gorbachev shift to a greater stress on exploration and conservation.